

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 EB-07 OMB-01 TRSE-00 IGA-01 AGR-05

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R 050401Z FEB 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 7793

INFO AMEMBASSY SAIGON

C O N F I D E N T I A L TOKYO 1506

E.O. 11652: GDS

TAGS: EAID, JA, VS

SUBJ: JAPANESE AID TO SOUTH VIETNAM; VISIT OF RVN DEPUTY

PRIME MINISTER TO JAPAN

REF: TOKYO 12660 (9/30/74)

1. ON FEBRUARY 4 EMBOFF REVIEWED WITH FONOFF REP (SEZAKI, DEPUTY DIRECTOR, FIRST ECONOMIC COOPERATION DIVISION) VISIT TO JAPAN JANUARY 28-FEBURARY 2 OF GVN DEPUTY PRIME MINISTER TRAN VAN DONG, AND PROSPECTS FOR ADDITIONAL GOJ AID TO SOUTH VIETNAM.

2. ACCORDING TO SEZAKI, GOJ UNDERSTOOD FROM GOJ EMBASSY SAIGON THAT MAJOR PURPOSE OF DONG VISIT WAS TO REQUEST ADDITIONAL JAPANESE AID. TO SURPRISE OF GOJ, DONG SEEMED TO BE PRIMARILY CONCERNED DURING MEETINGS WITH GOJ REPS WITH EXPOUNDING IDEA THAT THERE SHOULD BE ONLY ONE GOVT IN SOUTH VIETNAM. ALTHOUGH DONG MET PM MIKI, DEPUTY PM FUKUDA, FONMIN MIYAZAWA, AND VICE MINISTERS OF FINANCE AND INTERNATIONAL TRADE AND INDUSTRY, AS WELL AS FORMER PM KISHI, AND ALTHOUGH HE EXPRESSED APPRECIATION FOR PAST JAPANESE AID IN THESE MEETINGS, IT WAS ONLY IN MEET-
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INGS WITH FONOFF AND INTERNATIONAL TRADE AND INDUSTRY

MINISTRY THAT DONG REQUESTED ADDITIONAL AID: CREDITS FOR PURCHASE OF FERTILIZER, AND COMMODITY AID ALONG LINES OF GVN REQUEST LAST SEPTEMBER (REFTEL). SEKAKI SAID THAT IF GVN WERE SERIOUS ABOUT REQUESTS FOR ADDITIONAL AID, DONG SHOULD HAVE RAISED QUESTION DURING DISCUSSION WITH PRIME MINISTER, DEPUTY PRIME MINISTER, AND OTHER OFFICIALS.

3. TO ANNOYANCE OF FONOFF, GVN REPS WERE UNABLE TO EXPLAIN TO GOJ SATISFACTION VIETNAM'S BALANCE OF PAYMENTS SITUATION, WHICH GOJ FEELS IS PARTICULARLY RELEVANT TO REQUEST FOR COMMODITY AID. GVN REPS' EXPLANATION OF DISPOSITION OF COUNTERPART FUNDS FROM EARLIER JAPANESE AID WAS AT VARIANCE WITH PREVIOUS EXPLANATION. ALTHOUGH GVN REPS INDICATED FUTURE COUNTERPART FUNDS FROM JAPANESE AID WOULD GO TO GVN DEVELOPMENT FUND, THEY WERE UNABLE TO EXPLAIN THIS FUND IN DETAIL. RATHER, THEY HANDED OVER AND INVITED GOJ ATTENTION TO LENGTHY VIETNAMESE LANGUAGE DOCUMENT WHICH, THEY SAID, EXPLAINED FUND.

4. AS A RESULT THESE DISCUSSIONS AND LAST OCTOBER'S, GOJ HAS DECIDED, SAID SEZAKI, TO EXTEND NEW COMMODITY LOAN IN AMOUNT OF 9 BILL YEN (APPROXIMATELY 30.2 MILLION DOLLARS AT 298 YEN/DOLLAR). THIS WOULD BE INCREASE OVER LAST YEAR'S COMMODITY LOAN OF 8.25 BILLION YEN, BUT DECREASE FROM EARLIER-MENTIONED RANGE OF 10-12 BILLION YEN NEW COMMODITY AID. LOAN WILL BE EXTENDED BY OVERSEAS ECONOMIC COOPERATION FUND, AND WILL BE LDC-UNTIED. TERMS WILL BE 2.75 PERCENT WITH REPAYMENT OVER 20 YEARS FOLLOWING 10 YEAR GRACE PERIOD. SEZAKI SAID HE ANTICIPATED NOTES COMMITTING THIS LOAN WOULD BE EXCHANGED TOWARDS END OF FEBRUARY OR EARLY IN MARCH.

4. EMBASSY COMMENT. GOJ DECISION TO PROVIDE ONLY 9 BILLION YEN IN NEW COMMODITY AID IS DISAPPOINTING. ALTHOUGH WE WOULD NOT PRESUME TO SAY WHETHER GOJ DISSATISFACTION WITH GVN REPRESENTATIONS CONCERNING AID IS JUSTIFIED, IT IS OUR IMPRESSION THAT GVN WOULD HAVE BETTER LUCK IN DISCUSSING AID MATTERS WITH GOJ IF PURPOSE OF OFFICIALS' VISITS TO JAPAN WERE MADE CLEAR BEFOREHAND, IF CONSISTENT REQUEST FOR AID WERE PRESENTED TO VARIOUS GOJ OFFICIALS
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WHO MEET GVN REPS, AND IF GVN REPS WERE PREPARED WITH SUFFICIENT INFORMATION TO DEFEND AID REQUESTS AND EXPLAIN IN DETAIL HOW JAPANESE AID FUNDS WILL BE USED. GVN REPS SHOULD REMEMBER THAT, IN PRINCIPLE, GOJ PROVIDES AID ONLY IN RESPONSE TO REQUESTS FROM WOULD-BE RECIPIENTS. FURTHERMORE, FOR SEVERAL REASONS -- ITS OWN INCREASING EXPERIENCE IN AID FIELD, PRESSURES ON JAPAN'S AID PROGRAM AS A RESULT OF JAPAN'S CHANGED BALANCE OF PAYMENTS SITUATION

AND DOMESTIC ECONOMIC SLOWDOWN, IMPROVED FINANCIAL POSITION OF SOME FORMER AID RECIPIENTS, AND OPPOSITION PARTY CRITICISM OF AID TO QTE UNDEMOCRATIC REGIMES UNQTE -- JAPAN HAS SHOWN AN INCREASING TENDENCY TO CRITICALLY EXAMINE AID REQUESTS SUBMITTED TO IT.
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